

CHAPTER 6: INSURANCE

INTRODUCTION

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CHAPTER 6: INSURANCE: INTRODUCTION

In the Foreign Service community, periodic transfers and moves are a way of life. When you move from one post to another, your personal belongings and household effects must be packed, shipped long distances, placed in commercial storage, or carried as hand luggage. Sometimes during your service, your automobile will be shipped and may be driven by others to or from a port. Throughout this process, your belongings are subjected to multiple handlings, stresses, and strains. Considerable damage or loss can occur despite care taken in both packing and shipping. Therefore, the purchase of adequate insurance should be of particular interest to you.

THE CLAIMS ACT

The U.S. Government does not insure your household effects. However, the Military Personnel and Civilian Employees' Claims Act of 1964 (14 FAM 640) provides some compensation—*but not full coverage*—for loss or damage to personal belongings. The Claims Act provides a maximum amount of \$100,000 for loss or damage to employees' effects, incident to their official service, resulting from acts of violence directed against the United States

Government or its representatives in a foreign country or from an authorized evacuation of personnel from a foreign country. The minimum claim per item, which may be filed, is \$50.00. There are restrictive per-item limits under the Claims Act and, in addition, reimbursement is not made for the replacement value of an item, but only for depreciated value. For additional clarification, refer to the Table of Maximum Amounts Allowable (14 FAM Exhibit 646.2A).

The Claims Act also states: "*Employees are encouraged to carry private insurance against damage to or loss of their personal property.* Such insurance is desirable to cover risks specifically excluded or limited by these regulations." The Department of State strongly urges all employees to obtain private insurance for the full value of all personal belongings and household effects.

Very broad insurance is available from U.S. companies who specialize in insurance for the Foreign Service. Be sure to purchase the *full protection* for *marine/transit* losses, *contingencies at your foreign post*, and for effects *in commercial storage warehouses*. Liability of most storage companies is very limited. All items in storage should be noted on a detailed inventory list that the employee has compiled, and this list should remain with the employee. A copy should be left at the Claims Office in the State Department.

HOUSEHOLD EFFECTS INSURANCE

Insurance coverage applicable to an overseas move is very different from your typical stateside homeowners or renters policy. Package policies specifically designed to cover the unique aspects of international assignments are recommended. Areas of coverage to be considered:

- Coverage for items left in commercial storage
- Transportation coverage on items shipped by sea, air and truck, etc.
- Coverage at your residence abroad for fire, theft, acts of God, etc.

- Protection for effects while traveling temporarily within the United States or other countries

It is advisable to seek "All-Risks" transportation coverage, which provides broader protection, as well as "Replacement Cost" coverage, assuring a non-depreciated claims settlement.

It is not recommended to rely on the insurance policy provided by shippers and packers. Such policies may be inadequate, expensive or simply unavailable. Also, in the event of a loss, it may be difficult to determine which party is fully responsible, resulting in the possibility of a denial of your claim.

Again, it is advisable to complete a full inventory of effects, both transported abroad and left in U.S. commercial storage. This will allow you to comprehensively file claims with your insurance company in the event of a loss.

AUTOMOBILE INSURANCE

When your automobile is being transported and then located overseas, it is more important than ever to understand the separate components of international automobile insurance. The following will break down two distinctive areas of coverage that in most cases are purchased separately.

Physical Damage

This includes coverage for collision, comprehensive, and marine transit of the automobile. Collision insurance is coverage for your vehicle while being operated. Comprehensive insurance provides coverage for the vehicle while it is parked, including theft, vandalism, etc. Coverage can be provided under one policy.

Numerous U.S. companies provide coverage. Information is available in the Overseas Briefing Center (FSIOBCInfoCenter@state.gov). The purchase of this coverage within the country in which you are located may be very risky—check with your post of assignment.

Liability

Most posts require that an automobile primary (third-party) liability policy be issued in the country in which you are posted. This can be accomplished by a direct purchase of coverage at post or through U.S. insurance agents/brokers that represent local overseas companies. Coverage and premiums may vary dramatically. Adequate coverage is highly recommended. In the event the locally purchased primary automobile liability policy provides inadequate limits of coverage, excess liability coverage is available through U.S. insurance companies.

PERSONAL LIABILITY INSURANCE

Foreign Comprehensive Personal Liability

It is becoming more critical than ever to secure appropriate personal liability insurance. Personal liability insurance covers individuals for sums, which you are legally obligated to pay including defense costs, as damage due to bodily injury and/or property damage to others. This coverage typically provides protection for you and members of your family living in the same household.

This first section of coverage, which is usually available in conjunction with household effects insurance, is Foreign Comprehensive Personal Liability. This coverage provides an adequate base line of coverage when residing abroad. Levels of protection range between \$100,000 to \$500,000. This liability insurance may be purchased through U.S. insurance companies specializing in the needs of Foreign Service members.

International Umbrella

Additional limits of liability insurance protection can be purchased in the form of International Umbrella Insurance. This coverage extends both Foreign Comprehensive Personal Liability and Automobile Liability Insurance. This coverage becomes important for individuals who have youthful drivers, and those who entertain frequently or own pets. Additionally, it protects you against areas that are typically not covered elsewhere, such as: liable, slander, defamation of character, etc.

STATESIDE INSURANCE WHILE ON ASSIGNMENT

When moving abroad, your stateside policies may need to be converted to appropriate forms of insurance coverage. For example, when renting your home to others while residing abroad, your current homeowners policy must be canceled and rewritten under an appropriate Fire Dwelling Policy, which should also include Owner's, Landlord's and Tenant's Liability coverage. It is important to make your domestic insurance agent aware of your move, as well as to make sure your insurance agent is familiar with the necessary changes in coverage while you are residing abroad.

HEALTH INSURANCE

The Federal Employees Health Benefits Program provides you and your family with protection against the cost of illness or accident at reduced costs (you and the government share the cost). When assigned overseas, you may choose one of the fee-for-service health benefits plans. Visit <http://www.opm.gov/insure/> for more information.

LIFE INSURANCE

The Federal Employees Group Life Insurance Program (FEGLI) provides term insurance for the employee, including accident and dismemberment coverage. The insurance builds no cash, loan or paid-up or extended insurance equities, nor can it be assigned to anyone before a loss occurs. It is intended as a form of immediate protection against financial hardship or loss in the event of death. Therefore, it is not offered as a form of

life insurance with cash values which might be purchased through non-government insurance agents. Visit Web site <http://www.opm.gov/insure/> for more information.

FEDERAL LONG-TERM CARE INSURANCE

Long-term care insurance provides services needed by people with chronic illnesses or other conditions that limit their physical or mental abilities. It covers a broad range of health and social services as well as assistance with activities of daily living such as bathing, dressing eating, toileting, and moving from place to place. Long-term care can be provided in the home, in a community setting such as an adult day care center, or in a residential facility such as a nursing home, a board and care home, or an assisted living facility.

The cost of coverage will be based on the person's age on the date the application is received. There is no government contribution and employees will be responsible for the entire premium. For more information about long-term care insurance contact 800-582-3337 or visit Web sites <http://www.opm.gov/insure/> or <http://www.ltcfeds.com/>.

SOURCES OF INFORMATION

Overseas Briefing Center

The Transition Center
George P. Shultz National Foreign Affairs Training Center
4000 Arlington Boulevard, E2126
Arlington, VA
Tel: 703-302-7277
Fax: 703-302-7452
Internet: <http://www.state.gov/m/fsi/tc>
E-mail: FSIOBCInfoCenter@state.gov

Office Of Medical Services (M/Dghr/Med)

SA-1, Room L209
Department of State
Washington, DC
Tel: 202-663-1611

American Association Of Retired Persons (AARP)

601 E Street, NW
Washington, DC 20049
Tel: 202-434-2277
Web site: <http://www.aarp.org/>

Bureau of Human Resources Office of Employee Relations

SA-1, Room H236
Department of State
Washington, DC
Tel: 202-261-8166

American Council of Life Insurance

101 Constitution Avenue, NW

Washington, DC 20001

Tel: 202-624-2000

Web site: <http://www.acli.com>

The Foreign Service Journal

(<http://www.afsa.org/fsj/current.html>)

also publishes insurance company advertisements in most editions.